BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2021-76-E - ORDER NO. 2021-514

JULY 30, 2021

IN RE:	Application of Duke Energy Carolinas, LLC for Approval of Demand-Side Management and Energy Efficiency Rider 13, Decreasing Residential Rates and Increasing Non-Residential Rates	)))))	ORDER APPROVING DEMAND-SIDE MANAGEMENT AND ENERGY EFFICIENCY RIDER 13

I. INTRODUCTION AND SUMMARY OF APPLICATION AND PARTIES

This matter comes before the Public Service Commission of South Carolina ("Commission") on the Application of Duke Energy Carolinas, LLC ("Company" or "DEC") seeking approval of Rider 13 for its demand-side management and energy efficiency ("DSM/EE") programs and the amounts associated with the cost recovery mechanism the Commission most recently approved in Order No. 2021-32, issued in Docket No. 2013-298-E. Specifically, DEC is seeking recovery of $80,028,532 with $37,734,625 (or 47%) attributed to residential customers and $42,293,907 (or 53%) attributed to non-residential customers to cover the revenue requirements of Rider 13. The requested rate under the Rider is 0.5769 ¢/kWh for residential customers and 0.7705 ¢/kWh for non-residential customers.

S.C. Code Ann. Section 58-37-20 (2015) states, in part, that the Commission may adopt procedures that encourage electrical utilities and others subject to the jurisdiction of the Commission to invest in cost-effective energy efficient technologies and energy conservation programs. If such procedures are adopted, these procedures must provide incentives and cost recovery for energy suppliers, and provide a reasonable return on their investment. Commission Order No. 2021-32 provided a cost recovery mechanism that is a shared savings model with four distinct components: (1) recovery of the costs the Company incurs to offer and deliver EE and DSM programs to customers; (2) recovery of net lost revenues incurred for up to thirty-six (36) months of a measure's life for EE programs; (3) a shared savings incentive that is equivalent to 10.6% of net savings achieved through the Company's portfolio of EE/DSM programs, referred to as a Program Portfolio Incentive ("PPI"); and (4) a Program Return Incentive ("PRI") based on a percentage of the gross avoided costs of those programs eligible for the PRI.

As background, the Company filed an Application for approval of Rider 13 in Docket No. 2021-76-E on March 1, 2021. Rider 13 consists of prospective amounts for Vintages 2021 and 2022, along with true-up components and recovery of lost revenues under previous vintages, namely Vintages 2017, 2018, 2019, and 2020. The amended Rider 13 billing factors, which are based solely on the revised cost recovery method, will apply to the billing period January 1, 2022 through December 31, 2022. The Company requests that the Commission put the proposed rates into effect without hearing, pursuant to S.C. Code Ann. Section 58-27-870(F) (2015), in that the proposed rates do not require a determination of the entire rate structure and overall rate of return and will facilitate an orderly rate administration.

The Company's filing includes requests for cost recovery encompassing twenty-one (21) DSM/EE programs. The residential programs include Energy Efficiency

Education, Energy Assessments, My Home Energy Report, Energy Efficient Appliances and Devices, HVAC Energy Efficiency, Income Qualified Energy Efficiency and Weatherization Assistance, Multi-Family Energy Efficiency, and Power Manager. The non-residential programs include Smart Saver Custom Technical Assessments, Smart Saver Custom, Smart Saver Energy Efficient Food Service Products, Smart Saver Energy Efficient HVAC Products, Smart Saver Energy Efficient Lighting Products, Energy Efficient Pumps and Drives, Energy Efficient ITEE, Energy Efficient Process Equipment Products, Smart Saver Performance Incentive, Small Business Energy Saver, EnergyWise for Business, Power Share, and Power Share Call Option. A Notice of Filing was published in newspapers of general circulation in the Company's service area. Intervenors in this Docket include South Carolina Coastal Conservation League ("CCL"), Southern Alliance for Clean Energy ("SACE"), and Walmart Inc. ("Walmart"). Pursuant to S. C. Code Ann. § 37-6-604(C) (2015 & Supp. 2019), the South Carolina Department of Consumer Affairs ("Consumer Affairs") was provided notice of this Docket; however, Consumer Affairs did not intervene or participate. The Office of Regulatory Staff ("ORS") is a party to this proceeding as per S.C. Code Ann. § 58-4-10(B). ORS filed a review of the Application in this Docket.

II. OFFICE OF REGULATORY STAFF REVIEW

ORS expressed concern that the non-residential EnergyWise for Business ("EWfB") and non-residential Information Technology Energy Efficient ("ITEE") Programs have not passed cost effectiveness testing and recommends that the Company monitor those programs closely, and incorporate the necessary changes to improve their cost effectiveness. In response, DEC states that it will seek ways to improve these programs' cost-effectiveness. Aside from the EWfB and ITEE programs, ORS is encouraged by the overall cumulative energy savings the programs continue to achieve and finds that the programs continue to perform well. Realized cumulative energy savings have exceeded the anticipated energy savings by twenty-three percent (23%) and, although the number of non-residential opt-outs has increased slightly, ORS observed that the Company continues to work directly with large non-residential customers in an effort to entice those customers to participate. ORS noted that although the COVID-19 pandemic created challenges for customer contact and on-site visits in 2020, the Company made adjustments to accommodate the limitations. ORS also found that the updated DSM/EE Rate Riders were developed in accordance with the terms and conditions set forth by the Commission and are based on reasonable estimates of participation in the Company's DSM/EE programs.

ORS concludes that, based on information provided by the Company, the overall portfolio of programs appears to be performing well. In addition to realized cumulative energy savings of the Company's portfolio exceeding anticipated energy savings by approximately twenty-three percent (23%), the cumulative peak demand savings through 2020 from DSM programs reached ninety percent (90%) of forecasted savings. According to the ORS Report, realized energy savings have been driven by higher than projected energy savings in the residential Energy Efficient Appliances and Devices Program and the non-residential Energy Efficient Lighting Products Program. However, both the energy savings and demand savings are lower than in previous years. The decrease is mainly due to the impacts of the COVID-19 pandemic, according to the ORS Report.

For the Company's Vintage 2022 EE programs, the average lifetime cost of each kWh saved is estimated by the Company to be 1.8 cents. The average lifetime cost of the demand savings for the Company's Vintage 2022 DSM programs is estimated to be $34.51 per kW. According to ORS, these results compare favorably with the costs of supply-side generation.

With regard to existing DSM programs, prior to the implementation of the save-a-watt ("SAW") programs, the Company used the North Carolina and South Carolina Interruptible Service ("IS") and Standby Generation ("SG") programs – Rider IS and Rider SG ("Existing DSM Programs") – for demand-side management. Although DEC is working to move the Existing DSM Programs' customers to the new programs, some customers continue to take service under the Existing DSM Programs. The rate recovery for the Existing DSM Programs, which is based on the recovery of incentives paid, is computed separately from the SAW programs and the revised portfolio of programs. In the Rider 13 filing, the rate recovery for the Existing DSM Programs is included in the prospective portion of Rider 13.

ORS states that it verified that all program costs, avoided costs and lost revenues associated with the Company's IS and SG programs, have been excluded from the Company's incentive program, that the program costs associated with the Company's Existing DSM Programs are being recovered as a separate component of Rider EE, and that the recovery of the cost of these programs is consistent with the Company's approved tariff. The total cost of the Existing DSM Programs included in Rider 13 is $911,560.

With regard to Avoided Costs, ORS verified that the avoided energy and capacity costs calculations for Vintages 2014 through 2018 are based on the avoided energy cost rates and avoided capacity cost rates that were approved in Docket No. 2013-298-E. The avoided transmission and distribution ("T&D") costs are based on avoided T&D cost rates developed in a study completed during 2014. However, for Vintages 2019, 2020, 2021, and 2022, the Company found that the avoided energy and capacity cost rates had changed by more than 25% and updated those rates accordingly. Due to this significant downward adjustment in the avoided energy and capacity cost rates, the Company has made and is considering additional modifications to the EE and DSM programs to ensure that the programs remain cost effective.

With regard to Energy and Peak Demand Savings, the Company projects that the measures installed in Vintage 2022 will reduce electric usage over the lifetimes of the installed measures by more than 6,797,062 megawatt hours and will provide the capability to reduce the annual one-hour peak usage by 939 megawatts. According to ORS, these savings may provide DEC the ability to avoid or defer the construction of additional generating facilities.

In considering Opt-Outs, under the original SAW programs, industrial customers classified as manufacturing industries that utilized at least 50% of electrical usage for manufacturing could opt-out of the Company's programs. Each eligible customer could opt-out of the EE programs, the DSM programs, or both sets of programs. Under the revised cost recovery mechanism and portfolio of programs (Vintage 2014 and forward), the ability to opt-out was expanded to include non-residential customers that are classified as manufacturing industries or that have an annual consumption of 1,000,000 kWh or greater in the billing months of the prior calendar year and have implemented cost-effective energy efficiency measures. The number of non-residential customers electing to opt-out of the EE programs has increased from 67% in Vintage Year 2014 (based on energy utilization) to 72% in Vintage Year 2020. For the DSM programs, the customers opting out has increased from 60% in Vintage Year 2014 to 64% in Vintage Year 2020. ORS states it continues to monitor the increasing numbers of non-residential customers that elect to opt-out of the Company's programs. The Company has responded by creating an additional opt-in window during the first week of March in each year, and also by adding additional programs targeted toward these customers, such as the EnergyWise for Business program.

III. INTERVENORS' COMMENTS AND COMPANY RESPONSE

With regard to Intervenor comments, Walmart does not oppose the Company's proposed rider in this proceeding and reaffirms its willingness and desire to work cooperatively with the Company, ORS, and other parties. Walmart proposes to maintain, without change, the opt-out provisions of Rider EE.

In its comments, the South Carolina Coastal Conservation League and the Southern Alliance for Clean Energy ("SACE/CCL") filed extensive comments offering views on various components of the Company's DSM/EE programs. These intervenors state that they continue to support DEC's DSM/EE programs and commend DEC for its role as a regional leader for energy efficiency in the Southeast. However, among their comments, SACE/CCL propose for DEC that:

(1) The Company work in good faith with members of the Collaborative to produce a plan on how best to exceed 1% annual savings in each of the next six years, to be periodically updated and presented to the Commission as an appendix to future DEC DSM/EE Rider applications;

(2) Expeditiously finalize the evaluation and development of program recommendations proposed by Collaborative members for direct implementation or submission of program applications to the Commission for approval;

(3) Continue to focus on capturing additional measures that are capable of achieving deeper and longer-lived savings to maintain a more balanced and robust program portfolio going forward;

(4) Increase its low-income efficiency program budget and work with the Collaborative on setting new budget and savings targets for its income-qualified programs to be reported to the Commission in its next DSM/EE Recovery Rider filing; and

(5) Quantify and analyze the energy savings associated with the Durham Pilot Program and work with the Collaborative to take the lessons learned to evaluate opportunities to modify or design new programs to assist low-income customers in achieving deep energy savings.

SACE/CCL recommends that the Commission:

(1) Direct DEC to develop and submit to the Commission a supplemental filing in this docket indicating how the Company would achieve the 30.4 GWh savings required to close the gap between DEC's projected 0.96% annual savings in 2022 up to the 1% annual savings target;

(2) Direct DEC to work in good faith with members of the Collaborative to produce a plan on how best to exceed 1% annual savings in each of the next six years, to be periodically updated and presented to the Commission as an appendix to future DEC DSM/EE Rider applications; and

(3) Direct DEC to pursue increased energy savings for its income-qualified energy efficiency programs and report to the Commission its plan for continuing to do so in its 2022 DSM/EE rider filing.

In response to the SACE/CCL comments, the Company states that it appreciates the Environmental Parties' interest in this EE cost recovery proceeding, and looks forward to continuing to work with them and other stakeholders within the Collaborative in the work of program development and implementation. However, the Company asserts that CCL/SACE goes far beyond the scope of the EE/DSM cost recovery proceeding, and that their comments are more relevant to Integrated Resource Plan matters, for which there is a separate Docket, and are critical of the Collaborative, among other criticisms. This Commission believes that the Collaborative would allow further discussion of the matters raised by CCL/SACE, rather than including these matters in the proceedings on the DEC cost recovery mechanism. The Company asserts in its response to the CCL/SACE comments that it hosts the Collaborative six times per year, meeting for four to five hours each session. Between Collaborative meetings, the Company states that it investigates new program ideas, and hosts conference calls and working groups to evaluate the feasibility of proposals and program modifications. We believe that this forum is more appropriate for discussion of the recommendations of these parties at this time.

IV. FINDINGS OF FACT

Based upon consideration and review of the information and filings in the record, the Commission makes the following findings of fact:

1. On March 1, 2021, the Company filed an Application for approval of Rider 13 in Docket No. 2021-76-E. Rider 13 consists of prospective amounts for Vintages 2021 and 2022, along with true-up components and recovery of lost revenues under previous vintages, namely Vintages 2017, 2018, 2019, and 2020. The amended Rider 13 billing

factors, which are based solely on the revised cost recovery method stated in Order No. 2021-32, will apply to the billing periods from January 1, 2022, through December 31, 2022.

2. DEC is seeking recovery of $80,028,532 with $37,734,625 (or 47%) attributed to residential customers and $42,293,907 (or 53%) attributed to non-residential customers to cover the revenue requirements of Rider 13. The requested rate under the Rider is 0.5769 ¢/kWh for residential customers and 0.7705 ¢/kWh for non-residential customers.

DSM/EE Rider	**Approved Rider 12 Rate (¢/kWh)**	**Requested Rider 13 Rate (¢/kWh)**	**Change to Rider 12 Rate (¢/kWh)**
Residential	0.6878	0.5769	-0.1109
Non-Residential	0.6788	0.7705	0.0917

3. Rider 13 will result in an approximate rate decrease of $1.11 per month for the average residential customer using 1,000 kilowatt-hours per month.

4. Although the new non-residential rate with Rider 13 is higher than with Rider 12, due to the non-residential opt-out provision, the non-residential rider will apply only to those non-residential customers who have elected to participate in the Vintage Year 2022 programs.

5. The Company's filing includes requests for cost recovery encompassing twenty-one (21) DSM/EE programs as described herein.

6. The non-residential EnergyWise for Business ("EWfB") and non-residential Information Technology Energy Efficient ("ITEE") Programs have not passed

cost effectiveness testing and the Company should monitor those programs closely, and seek program enhancements to improve their cost effectiveness.

7. With regard to the concerns expressed by Intervenors, the parties should continue discussion of these matters in the Collaborative.

V. CONCLUSIONS OF LAW

Based upon consideration and review of the information and filings in the record, the Commission makes the following conclusions of law:

1. S.C. Code Ann. Section 58-37-20 (2015) states, in part, that the Commission may adopt procedures that encourage electrical utilities and others subject to the jurisdiction of the Commission to invest in cost-effective energy efficient technologies and energy conservation programs. If such procedures are adopted, these procedures must provide incentives and cost recovery for energy suppliers, and provide a reasonable return on their investment.

2. Commission Order No. 2021-32 provided a cost recovery mechanism that is a shared savings model with four distinct components: (1) recovery of the costs the Company incurs to offer and deliver EE and DSM programs to customers; (2) recovery of net lost revenues incurred for up to thirty-six (36) months of a measure's life for EE programs; (3) a shared savings incentive that is equivalent to 10.6% of net savings achieved through the Company's portfolio of DSM/EE programs, referred to as a Program Portfolio Incentive ("PPI"); and (4) a Program Return Incentive ("PRI") based on a percentage of the gross avoided costs of those programs eligible for the PRI.

3. The Company requests that the Commission put the proposed rates into effect without hearing, pursuant to S.C. Code Ann. Section 58-27-870 (F) (2015), in that the proposed rates do not require a determination of the entire rate structure and overall rate of return and will facilitate an orderly rate administration.

4. The Company's Application for the adoption of Rider 13 meets the criteria for placing the proposed rates into effect without hearing under S.C. Code Ann. Section 58-27-870(F) (2015). The Commission finds that it does not have to make a determination of the entire rate structure of the Company, nor the overall rate of return. Further, this Order will facilitate an orderly rate administration.

5. The effect of this Order will be to provide incentives and cost recovery for Duke Energy Carolinas, LLC for its DSM/EE programs, as well as a reasonable return on the Company's investment, as required by S.C. Code Ann. Section 58-37-20 (2015).

6. The cost recovery procedures of Order No. 2021-32 are satisfied by the Company's Application and evidence submitted in this record.

7. This Commission should approve the Application as filed by the Company.

VI. ORDERING CLAUSES

1. Based on the information presented in Duke Energy Carolinas, LLC's Application, the ORS Report, and the Company's response to the ORS Report, the Commission approves the Application for approval of Rider 13 for the billing period January 1, 2022, through December 31, 2022, as filed by the Company.

2. The rates contained in Rider 13 of 0.5769 ¢/kWh for residential customers and 0.7705 ¢/kWh for non-residential customers are approved for the billing period January 1, 2022, to December 31, 2022.

3. The Company shall file its tariff for the approved rates on or before December 30, 2021, using the Commission's E-Tariff filing system. The tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

4. The Company should monitor closely the non-residential EnergyWise for Business ("EWfB") and non-residential Information Technology Energy Efficient ("ITEE") Programs, and seek program enhancements to improve their cost effectiveness.

5. CCL/SACE and any other parties may continue discussions of issues affecting DSM/EE programs within the Collaborative structure as needed.

6. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

Justin T. Williams, Chairman
Public Service Commission of
South Carolina